

every order adjudicating a juvenile to be a delinquent based upon conduct which would be a felony if committed by an adult, a fingerprint of the defendant or juvenile who is the subject of the order. When requested by the clerk of the court, the actual affixing of fingerprints shall be done by a representative of the office of the county sheriff.

The clerk of the court shall attest that the fingerprints appearing on the judgment in sentence, order of adjudication of delinquency, or docket, is that of the individual who is the subject of the judgment or conviction, order, or docket entry.

NEW SECTION. Sec. 2. This 1977 act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House June 7, 1977.

Passed the Senate June 4, 1977.

Approved by the Governor June 15, 1977.

Filed in Office of Secretary of State June 15, 1977.

CHAPTER 260

[Substitute House Bill No. 1189]

NURSING HOMES—ANNUAL COST REPORTS—AUDITS—RATES

AN ACT Relating to nursing homes; adding new sections to chapter 74.09 RCW; and providing penalties.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Section 1. The legislature finds that reliability of financial information is dependent upon the application of generally accepted accounting principles and adherence to published rules of the department of social and health services. To assure that these accounting principles and rules are being applied to reports submitted by nursing homes, the legislature finds it necessary to require certain reports submitted by nursing homes to be audited by the department of social and health services in the manner prescribed in sections 2 and 3 of this act.

NEW SECTION. Sec. 2. All annual cost reports submitted to the state by a nursing home shall be audited annually through a field audit conducted by auditors under contract with or employed by the department of social and health services. The secretary of the department of social and health services shall establish an audit manual and program which shall require that all audits, conducted either through contract or by department employees:

(1) Comply with generally accepted auditing standards prescribed by the American institute of certified public accountants;

(2) Include a written opinion as to whether allowable costs included in the report are presented fairly in accordance with generally accepted accounting principles and department rules, and whether, in all material respects, allowable costs are documented, reasonable, and related to patient care;

(3) Are conducted by accounting firms or auditors who, during the period of the auditors' professional engagement or employment and during the period covered by the financial statements, do not have nor are committed to acquire any direct or indirect financial interest in the ownership, financing, or operation of a nursing home in this state;

(4) Are conducted by accounting firms or auditors who, as a condition of the contract or employment, are not allowed to have nursing home clients during or within two years of termination of their contract or employment;

(5) Are conducted by auditors who are otherwise independent as determined by the standards of independence established by the American institute of certified public accountants;

(6) Are supervised by a certified public accountant;

(7) Are completed within one year after the annual cost report is submitted by the nursing home; and

(8) Provide to the nursing home complete written interpretations which explain in detail the application of all relevant contract provisions, regulations, auditing standards, rate formulae, and departmental policies, with explanations and examples, and which are sufficient to permit the nursing home to calculate with reasonable certainty those costs which are allowable and the settlement to which the nursing home is entitled.

NEW SECTION. Sec. 3. (1) The department of social and health services shall prepare a written summary of any audit disallowance which exceeds five hundred dollars. Where the department pays rates or proposes settlement of accounts at less than the nursing home's actual reported costs, which have been verified by audit, the department shall for each cost center, as determined under department rules, advise the nursing home management of the rules and regulations justifying reimbursement at less than actual cost. Where the nursing home is pursuing judicial or administrative remedies in good faith regarding reimbursement settlement issues the department shall not withhold from the nursing home current payment amounts the department claims to be due from the nursing home.

(2) All financial reports and information submitted by nursing homes to the department of social and health services and all final audit narratives and summaries reviewing the submitted material shall be available for public inspection. By December 31, 1979, all nursing homes shall submit annual cost reports based on their federal tax year, which shall coincide with a common fiscal year as determined by the secretary of the department of social and health services.

(3) The department shall, without identifying individual nursing homes, make available to the public full information regarding its cost-finding and rate-setting methodology for nursing home care. The information shall include, but not necessarily be limited to, the following:

(a) Ranges, averages, and median costs for all cost centers;

(b) Departmental budget projections which reflect probable economic trends;

(c) Computer models and programs, with related documentation sufficient to explain them, used or proposed by the department to evaluate cost reports, establish cost projections, establish rates, or, in whole or in part, determine settlements; and

(d) All raw data relied upon by the department for any such cost-finding or rate-setting activities.

The department shall, prior to April 1 of each year, file with the senate ways and means and house appropriations committees, and make available to the public, a comprehensive report concerning all of the above matters.

NEW SECTION. Sec. 4. The nursing home payment system under this chapter shall provide for individually-based or class-based rates which shall be the maximum reimbursement for each nursing home for the period for which the rates are assigned. Operators of nursing homes shall refund all portions of payments received which exceed actual audited costs and all portions of payments received which are attributable to unreasonable or nonallowable costs as determined by federal or state regulations.

NEW SECTION. Sec. 5. Payment rates shall:

(1) Not be set lower prospectively than the level which may reasonably be expected to reimburse in full for actual allowable costs under federal regulations for a nursing home which is economically and efficiently operated;

(2) Realistically take into account economic conditions and trends during the time period covered by the rates;

(3) Be at least annually redetermined;

(4) Permit as allowable those expenses necessary to meet all items of expense which operators of nursing homes must incur to provide federally defined skilled or intermediate care services;

(5) Meet the reasonable cost of patient assessment activity as required by the department; and

(6) Meet the reasonable cost of accounting requirements.

Reasonable costs shall be determined independently of the level of funding available, in accordance with federal regulations and guidelines.

NEW SECTION. Sec. 6. Nothing in this chapter shall preclude the state auditor from conducting post audit examinations of public funds pursuant to RCW 43.09.330 or other applicable law.

NEW SECTION. Sec. 7. Sections 1 through 6 of this act shall be added to chapter 74.09 RCW.

NEW SECTION. Sec. 8. If any provision of this act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected.

Passed the House June 7, 1977.

Passed the Senate June 6, 1977.

Approved by the Governor June 15, 1977.

Filed in Office of Secretary of State June 15, 1977.